

## Message Text

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47

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TO SECSTATE WASHDC 5623

AMEMBASSY BONN

INFO AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL MUNICH

USMISSION BERLIN

AMCONSUL STUTTGART

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E.O. 11652: N/A

TAGS: PINT, GW

SUBJECT: SCANDALS MAY HURT HESSEN SPD AT THE POLLS

SUMMARY: THE SPD IN LAND HESSEN IS LIKELY TO SUFFER AT  
THE POLLS ON OCTOBER 3 AS A RESULT OF SCANDALS  
INVOLVING ITS TWO LEADING PERSONALITIES, MINISTER-  
PRESIDENT ALBERT OSSWALD AND FRANKFURT LORD MAYOR  
RUDI ARNDT. OSSWALD'S NAME HAS BEEN LINKED WITH  
QUESTIONABLE FINANCIAL TRANSACTIONS BETWEEN THE  
HESSISCHE LANDESBANK AND THE FORMER BANQUE DE CREDIT  
INTERNATIONAL OF GENEVA, WHILE ARNDT IS SUSPECTED  
OF ACCEPTING PARTY CONTRIBUTIONS IN RETURN FOR  
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BUILDING PRIVILEGES AT THE FRANKFURT AIRPORT. THE

OUTCOME OF THE BUNDESTAG ELECTIONS IN HESSE COULD WEAKEN THE SPD NATIONWIDE. IN ANY CASE, A SHAKE-UP WITHIN THE PARTY'S "LAND" LEADERSHIP AFTER THE ELECTION APPEARS PROBABLE. END SUMMARY.

1. HESSEN'S MINISTER-PRESIDENT ALBERT OSSWALD CAME UNDER HEAVY CDU FIRE LAST SPRING WHEN THE HESSISCHE LANDESBANK (KNOWN AS "HELABA") REQUIRED A MAJOR INFUSION OF FUNDS FROM ITS TWO SHAREHOLDERS, THE STATE OF HESSEN AND THE HESSIAN SAVINGS BANKS ASSOCIATION, TO HELP COVER LOSSES TOTALLING DM 2.2 BILLION OVER A THREE-YEAR PERIOD. THE CDU PROCLAIMED OSSWALD PERSONALLY RESPONSIBLE FOR THE MISMANAGEMENT OF "HIS" LANDESBANK AND CONTINUES TO HARP ON THIS THEME IN AN EFFORT TO KEEP THE ISSUE ALIVE UNTIL THE FEDERAL ELECTIONS ON OCTOBER 3. TO THIS END, THE CDU CREATED A VERY EFFECTIVE POSTER FEATURING A CHILD WHO WRITES TO "DEAR ALBERT OSSWALD" POINTING OUT HOW MANY SCHOOLS AND TEACHING POSITIONS COULD HAVE BEEN FINANCED WITH THE MONEY HELABA LOST.

2. RECENT REVELATIONS CONCERNING HELABA'S CONNECTION WITH THE NOW-DEFUNCT "BANQUE DE CREDIT INTERNATIONAL" OF GENEVA (BCI) HAVE DONE EVEN MORE TO TARNISH OSSWALD'S POLITICAL IMAGE. A PAYMENT OF DM 1000,000 FROM FORMER BCI HEAD TIBOR ROSENBAUM TO THE HESSIAN SPD HAS PROMOTED SPECULATION ON THE REASON BEHIND HELABA'S DM 26 MILLION PARTICIPATION IN ROSENBAUM'S BANK, AND OSSWALD'S DESCRIPTION OF THE PAYMENT AS AN "INTEREST-FREE LOAN" HAS ALSO RAISED SOME EYEBROWS. IN ADDITION, HALF OF A DM 450,000 COMMISSION PAID TO HELABA'S MANAGEMENT BY BCI HAS NOT BEEN ACCOUNTED FOR, AND THE RELEVANT DOCUMENTS SEEM TO HAVE DISAPPEARED. THE CDU ALLEGES THAT OSSWALD ALLOWED HELABA TO PARTICIPATE IN THE FINANCIALLY-UNSOULD BANQUE DE CREDIT INTERNATIONAL IN ORDER TO SECURE CONTRIBUTIONS FOR THE HESSEN SPD. OSSWALD HAS DENIED ANY WRONGDOING AND INSISTS THAT HE WILL SERVE OUT HIS LEGISLATIVE TERM.

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3. IN ADDITION TO HELABA, THE HESSEN SPD IS ALSO PLAGUED BY CHARGES OF ABUSE OF POWER IN CONNECTION WITH THE "ABELA" AND "SHERATON" AFFAIRS. RUDI ARNDT, FRANKFURT LORD MAYOR AND CHAIRMAN OF THE SOUTH HESSEN SPD, HAS BEEN ACCUSED OF ACCEPTING DM 200,000 FROM THE ALBERT ABELA COMPANY IN RETURN FOR THE UNDERGROUND PARKING CONCESSION AT THE FRANKFURT AIRPORT. A FORMER BUSINESS PARTNER OF ABELA'S HAS

ALLEGED THAT THE AMOUNT INVOLVED WAS ACTUALLY MUCH LARGER, AND MAINTAINS THAT AN AUDIT OF ABELA'S BOOKS WOULD SHOW THAT APPROXIMATELY DM 600,000 IS MISSING. ON SEPTEMBER 20, A "LANDTAG" COMMITTEE BEGAN A FULL-SCALE INVESTIGATION OF THE ABELA CONTRIBUTION AND ITS POSSIBLE RAMIFICATIONS.

4. THE ABELA AFFAIR HAS BEEN OVERSHADOWED LATERLY BY NEWS OF AN EVEN LARGER "CONTRIBUTION," FIRST REPORTED IN THE SEPTEMBER 13 ISSUE OF DER SPIEGEL. ACCORDING TO THE SPIEGEL ARTICLE, BERLIN CONSTRUCTION MAGNATE KARSTEN KLINGBEIL PAID OVER ONE MILLION DEUTSCHE MARK INTO THE HESSEN SPD COFFERS IN ORDER TO SECURE EXCLUSIVE BUILDING RIGHTS AT THE AIRPORT FOR SHERATON HOTELS. ARNDT HAS NOT DENIED RECEIVING THE MONEY, BUT HAS SAID THAT NO FUNDS WERE ACCEPTED IN RETURN FOR BUILDING RIGHTS.

5. THE HELABA AND AIRPORT SCANDAL HAVE BEEN WIDELY PUBLICIZED DURING THE CRUCIAL FEW WEEKS PRECEDING THE FEDERAL ELECTIONS ON OCTOBER 3 AND ARE LIKELY TO HAVE AN ADVERSE EFFECT ON SPD RESULTS IN LAND HESSEN. THE CDU HAS CAPITALIZED ON THE ACCUSATIONS AGAINST OSSWALD AND ARNDT, CHARGING THE HESSEN SPD WITH CORRUPTION AND ABUSE OF POWER. ON A NATIONAL LEVEL, THE CDU LEADERSHIP HAS DEMANDED THAT FEDERAL CHANCELLOR SCHMIDT AND SPD CHAIRMAN BRANDT TAKE A STAND ON THE QUESTION OF THE AIRPORT CONTRIBUTIONS, BUT NEITHER HAS MADE ANY COMMENT ON THE SUBJECT PRESUMABLY BECAUSE JUST ABOUT ANYTHING THAT MIGHT BE SAID AT THIS POINT IS LIKELY TO MAKE MATTERS WORSE RATHER THAN BETTER.

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6. WHATEVER THE RESULTS ON OCTOBER 3, OSSWALD MAY BE ASKED TO RESIGN IN ORDER TO GIVE THE HESSEN SPD TIME TO RECOVER FROM THE EFFECTS OF THE SCANDALS BEFORE THE "LANDTAG" ELECTIONS IN THE FALL OF 1978, A POSSIBILITY THAT WILL INCREASE IF THE SPD FARES WORSE IN HESSEN THAN NATIONWIDE. (ON THE OTHER HAND, THE SPECTRE THAT LOWER SAXONY MIGHT REPEAT ITSELF HAUNTS THE SPD LEADERSHIP AND MAKES A DECISION TO DUMP OSSWALD MORE DIFFICULT.) RUDI ARNDT HAS BEEN MENTIONED AS A POSSIBLE SUCCESSOR TO OSSWALD, BUT THE CLAMOR OVER THE AIRPORT CONTRIBUTIONS HAS DECREASED HIS CHANCES CONSIDERABLY. FOR THE MOMENT ARNDT INTENDS TO CONCENTRATE ON THE FRANKFURT MUNICIPAL ELECTIONS SCHEDULED FOR NEXT SPRING. OTHERS WHO HAVE BEEN

MENTIONED AS POSSIBLE SUCCESSORS TO OSSWALD  
ARE HOLGER BOERNER (CURRENTLY GENERAL MANAGER  
("GESCHAEFTSFUEHRER") OF THE NATIONAL SPD AND  
CHAIRMAN OF ITS NORTH HESSEN BRANCH), ARMIN CLAUSS  
(SPD LANTAG FACTION CHAIRMAN), LAND JUSTICE  
MINISTER HERBERT GUENTHER, FORMER FEDERAL MINISTER  
HORST EHMKE, AND THE CURRENT MINISTER FOR RESEARCH  
AND TECHNOLOGY IN BONN, HANS MATTHOEFER. THE  
SELECTION WILL BE MADE MORE DIFFICULT BY THE  
TRADITIONAL SPLIT BETWEEN THE MODERAT NORTH HESSEN  
BRANCH OF THE PARTY AND THE MORE LEFT-LEANING  
SOUTH HESSEN BRANCH.LEHMANN

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